

# **CITY OF TRINIDAD**

## ***California***

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### **Annual Financial Report June 30, 2017**

#### **City Council**

**Dwight Miller  
Susan Rotwein  
Jim Baker  
Jack West  
Steve Ladwig**

**Mayor  
Mayor Pro-Tem  
Member  
Member  
Member**

#### **Appointed Officials**

***City Manager*  
Dan Berman**

***City Clerk*  
Gabriel Adams**

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CITY OF TRINIDAD

# CITY OF TRINIDAD

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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Post Office Box 60127 / Sacramento, California 95860

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Members of the City Council  
City of Trinidad, California

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinidad, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinidad, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor  
Members of the City Council  
City of Trinidad, California

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Trinidad's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Marcello & Company***

Certified Public Accountants  
Sacramento, California  
December 7, 2017

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF TRINIDAD**  
**Government-wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,282,965	\$ 1,072,796	\$ 2,355,761
Receivables	319,042	41,163	360,205
Prepaid expenses	11,191	5,995	17,186
Capital assets not being depreciated	9,500	25,089	34,589
Capital assets, net of depreciation	3,061,124	1,519,812	4,580,936
Total assets	4,683,822	2,664,855	7,348,677
<b>LIABILITIES</b>			
Payables	130,766	31,462	162,228
Customer deposits	-	2,980	2,980
Total liabilities	130,766	34,442	165,208
<b>NET POSITION</b>			
Net investment in capital assets	3,070,624	1,544,901	4,615,525
Restricted	110,143	-	110,143
Unrestricted	1,372,289	1,085,512	2,457,801
Total net position	\$ 4,553,056	\$ 2,630,413	\$ 7,183,469

*The accompanying notes to financial statements are an integral part of this financial statement*

**CITY OF TRINIDAD**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2017**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Change in Net Position		
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 372,777	\$ 23,466	\$ 136,157	\$ -	\$ (213,154)	\$	\$ (213,154)
Public safety	202,072	-	104,740	-	(97,332)		(97,332)
Public works	191,478	-	27,823	-	(163,655)		(163,655)
Capital improvement projects	151,873	-	-	178,824	26,951		26,951
Depreciation	43,466	-	-	-	(43,466)		(43,466)
Total governmental activities	961,666	23,466	268,720	178,824	(490,656)		(490,656)
<b>Business-type Activities</b>							
Water utility	1,011,278	318,187	-	95,284		\$ (597,807)	(597,807)
Cemetery	23,906	4,245	-	-		(19,661)	(19,661)
Total business-type activities	1,035,184	322,432	-	95,284		(617,468)	(617,468)
Total primary government	\$ 1,996,850	\$ 345,898	\$ 268,720	\$ 274,108			(1,108,124)
<b>General Revenue</b>							
				Sales tax	246,438	-	246,438
				Property taxes	97,465	-	97,465
				Transient occupancy	171,173	-	171,173
				Use of property	48,472	-	48,472
				Investment earnings	3,791	2,525	6,316
				Other revenue	23,600	964	24,564
				Totals	590,939	3,489	594,428
<b>Change in Net Position</b>							
					100,283	(613,979)	(513,696)
				Net Position - beginning	4,452,773	3,244,392	7,697,165
				Net Position - end of year	\$ 4,553,056	\$ 2,630,413	\$ 7,183,469

The accompanying notes to financial statements are an integral part of this financial statement

## **FUND FINANCIAL STATEMENTS**



**CITY OF TRINIDAD**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

**ASSETS**

	General Fund	Clean Beaches Grant	COPS Grant Program	OPC Citywide LID	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 1,305,494	\$ -	\$ -		\$ 38,159	\$ 1,343,653
Receivables	204,139	47,669	23,376	62,218	5,016	342,418
Prepaid expenses	11,191	-	-	-	-	11,191
Total assets	<u>\$ 1,520,824</u>	<u>\$ 47,669</u>	<u>\$ 23,376</u>	<u>\$ 62,218</u>	<u>\$ 43,175</u>	<u>\$ 1,697,262</u>

**LIABILITIES**

Payables	\$ 49,815	\$ 12,668	\$ 5,601	\$ 53,875	\$ 8,808	\$ 130,767
Cash overdrafts	-	34,810	6,139	8,350	11,389	60,688
Total liabilities	<u>49,815</u>	<u>47,478</u>	<u>11,740</u>	<u>62,225</u>	<u>20,197</u>	<u>191,455</u>

**FUND BALANCES**

Nonspendable	11,191	-	-	-	-	11,191
Restricted	75,317	191	11,636	-	34,635	121,779
Committed	1,239,000	-	-	-	-	1,239,000
Assigned	64,576	-	-	-	-	64,576
Unassigned	80,925	-	-	(7)	(11,657)	69,261
Total fund balances	<u>1,471,009</u>	<u>191</u>	<u>11,636</u>	<u>(7)</u>	<u>22,978</u>	<u>1,505,807</u>
Total liabilities and fund balances	<u>\$ 1,520,824</u>	<u>\$ 47,669</u>	<u>\$ 23,376</u>	<u>\$ 62,218</u>	<u>\$ 43,175</u>	<u>\$ 1,697,262</u>

The accompanying notes to financial statements are an integral part of this financial statement

**CITY OF TRINIDAD**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Total Fund Balances - Governmental Funds (page 6)**                      \$    1,505,807

Amounts reported for governmental activities in the  
statement of net position are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in the balance sheet of governmental activities:

Capital assets not being depreciated	9,500
Capital assets, net of depreciation	<u>3,061,124</u>

**Net Position - Governmental Activities (page 4)**                      \$    4,576,431

*The accompanying notes to financial statements are an integral part of this financial statement*

**CITY OF TRINIDAD**  
**Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2017**

<b>REVENUE</b>	<b>General Fund</b>	<b>Clean Beaches Grant</b>	<b>COPS Grant Program</b>	<b>OPC Citywide LID</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Intergovernmental	\$ 125,518	\$ 85,631	\$ 126,381	\$ 79,636	\$ 53,754	\$ 470,920
Property tax	97,465	-	-	-	-	97,465
Sales tax	246,438	-	-	-	-	246,438
Transient occupancy tax	171,173	-	-	-	-	171,173
Licenses, planning and permits	23,466	-	-	-	-	23,466
Use of property	48,472	-	-	-	-	48,472
Investment earnings	3,791	-	-	-	-	3,791
Other revenue	23,537	-	-	-	63	23,600
<b>Totals</b>	<b>739,860</b>	<b>85,631</b>	<b>126,381</b>	<b>79,636</b>	<b>53,817</b>	<b>1,085,325</b>
<b>EXPENDITURES</b>						
General government	347,066	-	-	-	25,711	372,777
Public safety-police	75,317	-	115,845	-	-	191,162
Public safety-fire	10,911	-	-	-	-	10,911
Public works	191,478	-	-	-	-	191,478
Capital improvement projects	-	85,665	-	79,643	30,176	195,484
<b>Totals</b>	<b>624,772</b>	<b>85,665</b>	<b>115,845</b>	<b>79,643</b>	<b>55,887</b>	<b>961,812</b>
Excess Revenue over Expenditures	115,088	(34)	10,536	(7)	(2,070)	123,513
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balances</b>	<b>115,088</b>	<b>(34)</b>	<b>10,536</b>	<b>(7)</b>	<b>(2,070)</b>	<b>123,513</b>
Fund Balances - beginning	1,355,921	225	1,100	-	25,048	1,382,294
Fund Balances - end of year	\$ 1,471,009	\$ 191	\$ 11,636	\$ (7)	\$ 22,978	\$ 1,505,807

The accompanying notes to financial statements are an integral part of this financial statement

**CITY OF TRINIDAD**

**Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017**

**Change in Fund Balances - Governmental Funds (page 8)**                      \$      123,513

Amounts reported for governmental activities in the statement  
of activities are different because:

**Capital Assets**

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities the cost of these assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Depreciation expense

Capital asset additions - see Note 6

(43,466)  
43,611

**Change in Net Position - Governmental Activities (page 5)**

\$      123,658

*The accompanying notes to financial statements are an integral part of this financial statement*

**CITY OF TRINIDAD**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2017**

	Business-type Activities		
	Water Fund	Cemetery Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 959,847	\$ 112,949	\$ 1,072,796
Receivables	41,163	-	41,163
Prepaid expenses	5,995	-	5,995
Total current assets	1,007,005	112,949	1,119,954
Noncurrent Assets:			
Capital assets not being depreciated	25,089	-	25,089
Capital assets, net of depreciation	1,516,082	3,730	1,519,812
Total assets	2,548,176	116,679	2,664,855
<b>LIABILITIES</b>			
Current Liabilities:			
Payables	29,390	2,072	31,462
Customer deposits	2,980	-	2,980
Total liabilities	32,370	2,072	34,442
<b>NET POSITION</b>			
Net investment in capital assets	1,541,171	3,730	1,544,901
Restricted	-	-	-
Unrestricted	974,635	110,877	1,085,512
Total net position	\$ 2,515,806	\$ 114,607	\$ 2,630,413

*The accompanying notes to financial statements are an integral part of this financial statement*

**CITY OF TRINIDAD**

**Proprietary Funds**

**Statement of Revenue, Expenses, and Change in Net Position**

**Year Ended June 30, 2017**

	Business-type Activities		
	Water Fund	Cemetery Fund	Total Enterprise Funds
<b>OPERATING REVENUE</b>			
Water sales	\$ 316,498	\$ -	\$ 316,498
Burial plot sales	-	5,655	5,655
Burial plot refunds	-	(1,410)	(1,410)
Late charges	1,689	-	1,689
Totals	318,187	4,245	322,432
<b>OPERATING EXPENSES</b>			
Personnel services	149,051	23,028	172,079
Operations and maintenance	159,870	650	160,520
Depreciation	22,242	228	22,470
Totals	331,163	23,906	355,069
<b>OPERATING INCOME (LOSS)</b>	(12,976)	(19,661)	(32,637)
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Intergovernmental grants	95,284	-	95,284
Grant funded project expenses	(680,115)	-	(680,115)
Investment earnings	2,250	275	2,525
Other revenue (expense)	964	-	964
Totals	(581,617)	275	(581,342)
Income (Loss) Before Transfers	(594,593)	(19,386)	(613,979)
Transfers in	1,338,375	-	1,338,375
Transfers (out)	(1,338,375)	-	(1,338,375)
<b>CHANGE IN NET POSITION</b>			
Net Position - beginning	(594,593)	(19,386)	(613,979)
Net Position - end of year	3,110,399	133,993	3,244,392
	\$ 2,515,806	\$ 114,607	\$ 2,630,413

The accompanying notes to financial statements are an integral part of this financial statement

**CITY OF TRINIDAD**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

**CASH FLOWS PROVIDED BY (USED FOR)**

**Operating Activities**

Cash received from customers  
Cash paid for personal services  
Cash paid for operations and maintenance  
Net cash provided (used)

**Noncapital Financing Activities**

Other revenue  
Net cash provided (used)

**Capital & Financing Activities**

Grants received  
Grant funded capital expenditures  
Net cash provided (used)

**Investing Activities**

Investment earnings

**Net Increase (Decrease) in Cash**

Cash - beginning  
Cash - end of year

**Operating Activities Analysis**

Operating Income (Loss) (page 11)

Reconciliation adjustments:

Add depreciation, a noncash expense  
(Increase) decrease in receivables  
(Increase) decrease in prepaid expenses  
Increase (decrease) in payables  
Net cash provided (used)

Business-type Activities			
	Water Fund	Cemetery Fund	Total Enterprise Funds
	\$ 321,895	\$ 4,245	\$ 326,140
	(149,051)	(23,028)	(172,079)
	(177,825)	(532)	(178,357)
	(4,981)	(19,315)	(24,296)
	964	-	964
	964	-	964
	95,284	-	95,284
	(73,345)	-	(73,345)
	21,939	-	21,939
	2,250	275	2,525
	20,172	(19,040)	1,132
	939,675	131,989	1,071,664
	\$ 959,847	\$ 112,949	\$ 1,072,796
	\$ (12,976)	\$ (19,661)	\$ (32,637)
	22,242	228	22,470
	3,708	-	3,708
	(5,995)	-	(5,995)
	(11,960)	118	(11,842)
	\$ (4,981)	\$ (19,315)	\$ (24,296)

The accompanying notes to financial statements are an integral part of this financial statement

**CITY OF TRINIDAD**  
**Notes to Financial Statements**  
**June 30, 2017**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

- Note 1 - Significant Accounting Policies
- Note 2 - Stewardship, Compliance, and Accountability
- Note 3 - Cash and Investments
- Note 4 - Receivables
- Note 5 - Defined Contribution Retirement Plan
- Note 6 - Capital Assets
- Note 7 - Payables
- Note 8 - Risk Management
- Note 9 - Commitments and Contingencies
- Note 10 - Subsequent Events
- Note 11 - New Pronouncements
- Note 12 - Fund Balance Designations Section of the Balance Sheet



**CITY OF TRINIDAD**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Significant Accounting Policies**

Defining the Reporting Entity

The City of Trinidad was incorporated on November 7, 1870 under the laws of the State of California. The City operates under a Council-Manager form of government that provides the following services: public safety (police, fire and animal control), recreation and culture, public improvements, planning and zoning, general and administrative services, cemetery and water utilities.

The City participates in a joint powers agency through a formally organized and separate entity agreement. The financial activities of the Public Agency Risk Sharing Authority of California (PARSAC), a public entity risk pool, are not included in the accompanying financial statements because they are administered by a governing board which is separate from and independent of the City.

**Basis of Presentation**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants as applicable to governments. The following is a summary of the more significant policies.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported instead as general revenue. Expenses reported for functional activities include allocated indirect expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the City, or the government has determined that a fund is important to the financial statement user, or it meets the following criteria:

- Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.

**CITY OF TRINIDAD**  
**Notes to Financial Statements**  
**June 30, 2017**

- Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are those through which most general government functions typically are financed. The City maintains the following fund types:

- General Fund - this fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital projects.
- Enterprise Funds - these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The *Water Utilities Fund* and the *Cemetery Fund* are reported as enterprise funds.

Major Funds

The following are the City's major funds this year:

- *General Fund* - this fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Clean Beaches Grant* - this fund is used to account for proceeds received from a State grant. Revenue is restricted for monitoring and management expenditures of biological significant areas.
- *COPS Grant* - this fund is used to account for proceeds received from a State grant. Revenue is restricted for public safety expenditures.
- *Ocean Protection Council (OPC) Citywide Low Impact Development (LID) Grant* - this planning and construction project is being funded by State Proposition 1 funds. Revenue is restricted for the design and construction of alternative street and storm water drainage flows.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The government-wide statement of net position and the statement of activities, and both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

**CITY OF TRINIDAD**  
**Notes to Financial Statements**  
**June 30, 2017**

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide statement of net position, and in the statement of activities, both governmental and business-like activities are presented using the "accrual basis of accounting." Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual basis of accounting." Under this modified accrual basis of accounting, revenue is recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services, and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt in the governmental funds, which is recognized when due.

Proprietary funds use the "accrual basis of accounting" which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise.

**Budgetary Data**

General Budget Policies: the City maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the City Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The City's budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments or capital improvement projects may be re-appropriated for the subsequent fiscal year upon City Council approval.

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**Budget Basis of Accounting:** budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA. The Budgetary Comparison Schedule of the general fund presents comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the City's accounting basis; thus no reconciliation between the two is considered necessary.

**Other Accounting Policies**

Cash and Investments

The City follows the requirements of GASB in reporting cash and investments at fair value and disclosing risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk, as applicable.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position. Public domain general capital assets (infrastructure) consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003 in accordance with GASB Stmt No. 34. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital outlay is recorded as expenditures of the general and special revenue funds, and, as capital assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 3 to 20 years for equipment and vehicles, and 20 to 50 years for infrastructure, buildings and improvements. Land, art and treasures are not considered exhaustible, therefore are not being depreciated.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

In compliance with GASB Stmt No.16, the City has established a liability for accrued vacation, except that additional accruals for salary-related expenses associated with the costs of compensated absences, for example, the employer's share of social security and Medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is established for current employees at their current rates of pay. If accrued vacation is not used by the employee during their term of employment, compensation is payable to the employee at the time of separation, and at the employee's prevailing rate of pay. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the estimated current



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portion due within one year. Due to the immaterial amount of year end accrued compensated absences, the City has elected to report compensated absences as accrued expenses in all funds, which is merged with accounts payable and reported as Payables in the financial statements.

Interfund Activity

Interfund activity is reported as loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost and then charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Property Tax Revenue

Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- *Property Valuations* - are established by the Assessor of Humboldt County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- *Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- *Tax Collections* - are the responsibility of the County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments. The City has elected to receive the City's portion of the property tax revenue from the County under the State enacted "Teeter Bill" program. Under this program, the City receives 100% of the City's share of the levied property taxes in periodic payments, with the County assuming responsibility for collecting the delinquencies as well as keeping the related late penalties and interest.
- *Tax Levy Apportionments* - due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation

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adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three fiscal years prior to fiscal year 1979.

- *Property Tax Administration Fees* - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property tax revenue.

Revenue and Expenditures

Substantially all governmental fund revenue is accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Stmt. No. 33. In applying GASB Statement No. 33 to grant revenue, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Grant resources transmitted before eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

Operating income in proprietary fund financial statements includes revenue and expenses related to the primary continuing operations of the fund. Principal operating revenue for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed. Expenditures are recognized when the related fund liability is incurred.

Net Position and Fund Balances

The City's Net Position is classified as follows on the government-wide statement of net position:

- **Net Investment in Capital Assets** - represents the City's total investment in capital assets reduced by any outstanding debt used to acquire these assets.
- **Restricted Net Position** - includes resources that the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted Net Position** - represents resources derived from sources without spending restrictions, are used for transactions relating the general operations of the City, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Fund Balance designations are classified on the governmental funds balance sheet as follows:

- **Nonspendable** - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b) not in spendable form such as long-term notes receivable.
- **Restricted** - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- **Committed** - amounts that can be used only for the *specific purposes* determined by a formal action of the City Council, to establish, modify or rescind a fund balance commitment.

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- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the City Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**Note 2 - Stewardship, Compliance, and Accountability**

Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Deficit Fund Balances

Due to the City incurring costs in advance of receiving grant awards and other reimbursements, and revenue which it expects to recover in the future from grants and other sources, the following funds incurred deficits in their ending fund balances:

Local Coastal Project	\$ 891
Onsite wastewater treatment	10,591
	<u>\$ 11,482</u>

Cash Deficit Balances by Fund

The following governmental activity funds reported year-end cash deficit balances:

COPS program grant	\$ 6,139
Clean Beaches Grant	34,810
OPC Citywide LID	8,350
Local Coastal Project	1,873
Onsite wastewater treatment fund	9,341
	<u>\$ 60,513</u>

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**Note 3 - Cash and Investments**

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees, under the provisions of bond covenants. Cash and investments at fiscal year-end are classified in the accompanying financial statements as follows:

Statement of Net Position	
Governmental Activities	\$ 1,282,965
Business-type Activities	1,072,796
	<u>\$ 2,355,761</u>
Cash and Investments consist of the following:	
Deposits with financial institutions	\$ 1,780,153
Local Agency Investment Fund	575,608
	<u>\$ 2,355,761</u>

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$1,780,040 and the local bank account balances were \$1,849,966. The difference of \$69,926 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$1,599,966 was collateralized in accordance with California Government Code Section 53600. California law requires that the fair value of the pledged securities must equal at least 110% of the City's deposits. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits.

Investments in money market funds and the Local Agency Investment Fund (LAIF) are not insured by the FDIC or any government agencies. Investments in government or government sponsored entity (GSE) bonds are not insured but are collateralized by loans on real estate.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the City's investment policy adopted September 14, 2011, and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
Certificates of Deposit	3 years	20%	None	None
U.S. Treasury Securities	None	None	None	None
Local Agency Investment Fund	None	None	None	N/A
State and Local Agency Obligations	None	20%	None	AAA



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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any single issuer as described above, and beyond that stipulated by the California government code. Investments at fiscal year-end were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$ 575,608	6.4 months	0.92%	24%
Demand Deposits (checking)	1,780,053	on demand	0.01%	76%

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds.

The credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: "The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits."

The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Participation in an External Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2017, PMIA had approximately

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\$77.6 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 4 - Receivables**

Accounts and other receivables as reported in the Statement of Net Position are comprised of the following:

<u>Governmental Activities</u>	
Property taxes	\$ 37,059
COPS grant	23,376
Sales tax	63,344
Intergovernmental	99,301
Grant reimbursements	47,669
Transient occupancy taxes	31,224
Other receivables	40,445
	<u>\$ 342,418</u>
<u>Business-type Activities</u>	
Water fund - grant reimbursements	\$ 26,855
Water utility customers	14,308
	<u>\$ 41,163</u>

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

**Note 5 - Defined Contribution Retirement Plan**

The City contributes to an employee owned defined contribution plan administered through Smith Barney/Hartford ITT under established plan provisions, and which may be amended by City council resolution. The City contributes 6% of an employee's annual salary to the plan which provides retirement benefits. The City also provides matching contributions up to 6% of an employee's contributions for all eligible employees. Plan participants age 50 and older can make catch-up annual contributions up to \$5,000; and in the three years prior to retirement, can make catch-up contributions of up to twice the annual limit. All employee and employer contributions are tax deferred to the employee. The City contributed \$31,525 to the plan for the year.

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**Note 6 - Capital Assets**

Governmental-type capital asset activity for the year was follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Nondepreciable Assets</u>				
Land	\$ 9,500	\$ -	\$ 34,278	\$ 43,778
Construction-in-progress	-	-	-	-
	<u>9,500</u>	<u>-</u>	<u>34,278</u>	<u>43,778</u>
<u>Depreciable Assets</u>				
Buildings, Improvements, and Streets	3,294,135	567,500	(601,777)	3,259,858
Equipment	103,924	-	(20,187)	83,737
Vehicles	57,775	17,500	-	75,275
	<u>3,455,834</u>	<u>585,000</u>	<u>(621,964)</u>	<u>3,418,870</u>
<u>Accumulated Depreciation</u>	<u>(394,710)</u>	<u>-</u>	<u>9,913</u>	<u>(384,797)</u>
Depreciable assets, net	<u>3,061,124</u>	<u>585,000</u>	<u>(612,051)</u>	<u>3,034,073</u>
Total capital assets, net	<u>\$ 3,070,624</u>	<u>\$ 585,000</u>	<u>\$ (577,773)</u>	<u>\$ 3,077,851</u>

Business-type capital asset activity for the year was follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Nondepreciable Assets</u>				
Water utility - Land	\$ 5,089	\$ 20,000	\$ -	\$ 25,089
Construction-in-progress	1,918,350	-	(1,918,350)	-
	<u>1,923,439</u>	<u>20,000</u>	<u>(1,918,350)</u>	<u>25,089</u>
<u>Depreciable Assets</u>				
Water utility	764,222	1,281,206	-	2,045,428
Cemetery	7,964	-	-	7,964
	<u>772,186</u>	<u>1,281,206</u>	<u>-</u>	<u>2,053,392</u>
<u>Accumulated Depreciation</u>				
Water utility	(909,805)	(22,242)	11,460	(920,587)
Cemetery	(4,006)	(228)	-	(4,234)
Depreciable assets, net	<u>(141,625)</u>	<u>1,258,736</u>	<u>11,460</u>	<u>1,128,571</u>
Total capital assets, net	<u>\$ 1,781,814</u>	<u>\$ 1,278,736</u>	<u>\$ (1,906,890)</u>	<u>\$ 1,153,660</u>

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**Note 7 - Payables**

Accounts payable and accruals, as reported in the Statement of Net Position are comprised of the following:

	Governmental Activities	Business-type Activities
Contractors, programs & projects - grant funded	\$ 75,169	\$ 15,049
Engineering/planning consultants	42,175	-
County Sheriff - contract service	5,761	-
TBID pass through	3,139	-
Vendors and supplies	4,523	16,413
	<u>\$ 130,767</u>	<u>\$ 31,462</u>

**Note 8 - Risk Management**

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC or the Authority), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The relationship between the City and PARSAC is such that PARSAC is not a component unit of the City for financial reporting purposes. PARSAC is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. Financial statements may be obtained from PARSAC, 1525 Response Road, Suite One, Sacramento, CA 95815. For workers compensation insurance, the City is insured by the Local Agency Workers Compensation Excess Company. For property coverage, the City is protected by a commercial general liability insurance policy.

**Note 9 - Commitments and Contingencies**

In the normal course of City operations there are occasional and various legal claims and actions against the City for which no provision has been made in the financial statements because the amount of liability, if any, is unknown.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City entered into an agreement with the County of Humboldt to provide law enforcement services within the City limits, payable in the amount of \$37,659 per quarter. The agreement period commences July 1, 2014 through June 30, 2017 and was renewed. Appropriations are partially funded through an annual State grant in the amount of \$100,000 and a County grant.

At June 30, 2017 the City was committed to several grant funded contracts related to water quality, environmental issues and water plant upgrades, and street improvements. The ability of the City to meet its commitments is dependent upon continued intergovernmental grant funding.

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The City entered into a 99-year lease agreement with the Trinidad Coastal Land Trust, for a building which is occupied by a branch of the Humboldt County library. Annual rent is \$500 per year and adjusted every five years equal to a consumer price index.

**Note 10 - Subsequent Events**

The management of the City has reviewed the results of operations for the period from its fiscal year end June 30, 2017 through February 15, 2018, the date the financial statements were available to be issued in draft form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 11 - New Pronouncements**

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can read in their entirety at <http://www.gasb.org>.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effective Date: The requirements of this Statement are effective for periods beginning after June 15, 2017. This Statement sets new reporting requirements for government employer OPEB plans, whether or not funded, and replaces GASB 45. Because it follows Statement 68 (the new pension accounting standard) very closely, the required calculations and terms may be familiar.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged. (Issued 3/16)

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 85, *Omnibus 2017*

Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 03/17)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 05/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

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**Note 12 - Fund Balance Designations Section of the Balance Sheet**

<b>Fund Balances</b>	<b>General Fund</b>	<b>Clean Beaches Grant</b>	<b>COPS Grant Program</b>	<b>OPC Citywide LID</b>	<b>Other Governmental Funds</b>	<b>Total Fund Balance Designations</b>
<b>Nonspendable:</b>	<u>\$ 11,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,191</u>
<b>Restricted for:</b>						
Clean Beaches project	-	191	-	-	-	191
Measure Z proposition	75,317	-	-	-	-	75,317
Integrated Waste Mgmt	-	-	-	-	8,630	8,630
State COPS grant	-	-	11,636	-	-	11,636
State Gas tax street projects	-	-	-	-	17,142	17,142
State TDA street projects	-	-	-	-	8,863	8,863
<b>Total restricted fund balances</b>	<u>75,317</u>	<u>191</u>	<u>11,636</u>	<u>-</u>	<u>34,635</u>	<u>121,779</u>
<b>Committed to:</b>						
Emergency reserve	459,000	-	-	-	-	459,000
Budget Stabilization reserve	459,000	-	-	-	-	459,000
Capital/Special Project reserve	306,000	-	-	-	-	306,000
Self insurance reserve	15,000	-	-	-	-	15,000
<b>Total committed fund balances</b>	<u>1,239,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239,000</u>
<b>Assigned to:</b>						
Fire dept capital reserve	50,700	-	-	-	-	50,700
Public works capital reserve	10,000	-	-	-	-	10,000
Town hall capital reserve	3,876	-	-	-	-	3,876
<b>Total assigned fund balances</b>	<u>64,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,576</u>
<b>Unassigned:</b>	<u>80,925</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(11,657)</u>	<u>69,261</u>
<b>Total Fund Balances</b>	<u>\$ 1,471,009</u>	<u>\$ 191</u>	<u>\$ 11,636</u>	<u>\$ (7)</u>	<u>\$ 22,978</u>	<u>\$ 1,505,807</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

***(unaudited)***



**CITY OF TRINIDAD**  
**Required Supplementary Information**  
**Budgetary Comparison Information (unaudited)**  
**June 30, 2017**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved resolution.
- The City Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the City's needs; however, revisions that alter the total expenditures must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the City Council.



**CITY OF TRINIDAD**  
**Required Supplementary Information**  
**Budgetary Comparison Information (unaudited)**  
**General Fund, State COPS Grant Fund, and County Measure Z Fund**  
**Year Ended June 30, 2017**

	Budget Amounts (unaudited)		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>Resources (Inflows)</b>				
State COPS grant	\$ 100,000	\$ 100,000	\$ 126,381	\$ 26,381
County Measure Z grant	75,000	75,000	75,317	317
Public Safety - Police	175,000	175,000	201,698	26,698
Property tax	98,550	98,550	97,465	(1,085)
Sales tax	252,000	252,000	246,438	(5,562)
Transient occupancy tax	130,000	130,000	171,173	41,173
Intergovernmental	-	-	50,201	50,201
Investment earnings	-	-	3,791	3,791
Licenses, planning and permits	34,100	34,100	23,466	(10,634)
Use of property	46,935	46,935	48,472	1,537
Other revenue	6,030	6,030	23,537	17,507
Transfers in	30,000	30,000	-	(30,000)
Amounts Available for Appropriation	772,615	772,615	866,241	93,626
<b>Charges to Appropriation (Outflows)</b>				
State COPS grant	100,000	100,000	115,845	(15,845)
County Measure Z grant	75,000	75,000	75,317	(317)
Public Safety - Police	175,000	175,000	191,162	(16,162)
General Government:				
City Administration	340,693	340,693	347,066	(6,373)
Public Safety - Fire	17,100	17,100	10,911	6,189
Public Works	165,337	165,337	191,478	(26,141)
Fire dept. reserve	-	-	-	-
Public works reserve	-	-	-	-
Town hall reserve	-	-	-	-
Transfers out	-	-	-	-
Total Charges to Appropriations	698,130	698,130	740,617	(42,487)
<b>Excess (Deficit)</b>	<u>\$ 74,485</u>	<u>\$ 74,485</u>	<u>\$ 125,624</u>	<u>\$ 51,139</u>

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF TRINIDAD**  
**Combining Financial Statements**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

	Trinidad Totals Fund	Integrated Waste Mgmt	LCP Local Coastal Project	State Gas Tax Fund	Transportation Development Agency	Onsite Wastewater Treatment	DOT Van Wycke Trail	TOTAL NONMAJOR FUNDS
<b>ASSETS</b>								
Cash and investments	\$ (815)	\$ 12,969	\$ -	\$ 17,142	\$ 8,863	\$ -	\$ -	\$ 38,159
Receivables	1,032	-	3,984	-	-	-	-	5,016
Total assets	<u>\$ 217</u>	<u>\$ 12,969</u>	<u>\$ 3,984</u>	<u>\$ 17,142</u>	<u>\$ 8,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,175</u>
<b>LIABILITIES</b>								
Payables	\$ 217	\$ 4,339	\$ 3,002	\$ -	\$ -	\$ 1,250	\$ -	\$ 8,808
Cash overdrafts	-	-	1,873	-	-	9,341	175	11,389
Total liabilities	<u>217</u>	<u>4,339</u>	<u>4,875</u>	<u>-</u>	<u>-</u>	<u>10,591</u>	<u>175</u>	<u>20,197</u>
<b>FUND BALANCES</b>								
Total liabilities and fund balances	<u>-</u>	<u>8,630</u>	<u>(891)</u>	<u>17,142</u>	<u>8,863</u>	<u>(10,591)</u>	<u>(175)</u>	<u>22,978</u>
	<u>\$ 217</u>	<u>\$ 12,969</u>	<u>\$ 3,984</u>	<u>\$ 17,142</u>	<u>\$ 8,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,175</u>
<b>REVENUE</b>								
Intergovernmental	\$ 1,032	\$ 11,342	\$ 13,557	\$ 12,948	\$ 13,450	\$ 1,425	\$ -	\$ 53,754
Other revenue	-	-	-	42	21	-	-	63
Total revenue	<u>1,032</u>	<u>11,342</u>	<u>13,557</u>	<u>12,990</u>	<u>13,471</u>	<u>1,425</u>	<u>-</u>	<u>53,817</u>
<b>EXPENDITURES</b>								
General government	1,032	23,201	-	1,478	-	-	-	25,711
Capital improvements	-	-	14,039	-	11,822	4,140	175	30,176
Total expenditures	<u>1,032</u>	<u>23,201</u>	<u>14,039</u>	<u>1,478</u>	<u>11,822</u>	<u>4,140</u>	<u>175</u>	<u>55,887</u>
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-	-
<b>CHANGE IN FUND BALANCES</b>								
Fund balances - beginning	-	(11,859)	(482)	11,512	1,649	(2,715)	(175)	(2,070)
Fund balances - end of year	<u>-</u>	<u>20,489</u>	<u>(409)</u>	<u>5,630</u>	<u>7,214</u>	<u>(7,876)</u>	<u>-</u>	<u>25,048</u>
	<u>\$ -</u>	<u>\$ 8,630</u>	<u>\$ (891)</u>	<u>\$ 17,142</u>	<u>\$ 8,863</u>	<u>\$ (10,591)</u>	<u>\$ (175)</u>	<u>\$ 22,978</u>

